



‘Check 21’ expands electronic imaging

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► In 2001, the National Credit Union Administration (NCUA) issued Rule 12 CFR Part 749, establishing vital records preservation standards for federally insured credit unions.

The rule clarified that credit unions may store records in any format—including digital images—that accurately reflects the information.

Now, the growing acceptance of digital imaging is expanding into the check-clearing arena with “Check 21,” The Check Clearing for the 21st Century Act. President Bush signed the act into law in October.

From a procedural perspective, Check 21 gives electronic check images the same validity as paper checks for clearance and settlement. It revolutionizes the way share drafts are processed. It enables financial institutions to truncate, or remove, original paper checks from the collection and return process, and send electronic images and/or magnetic-ink-character-recognition (MICR) data in their place without a prior, formal agreement.

Image-based processing and truncation will:

- Expedite the clearing and settlement process;
- Streamline end-of-day

backroom operations;

- Reduce the risk of missing items and/or transit delays;
- Lower transaction costs by reducing the multiple (document) “touch points” necessitated in today’s processing environment; and
- Reduce courier service and associated costs.

With the implementation of Check 21, credit unions likely will have several approaches from which to choose to store images.

Microfilm replacement. According to a CUNA & Affiliates’ 2003 study of 2,000 credit unions with assets of \$10 million or more, 41% currently use microfilm to capture images of deposited checks.

Imaging checks at the point of initial deposit protects the outgoing cash letter but also overcomes a major shortcoming of microfilm by providing more timely access to the recorded teller transactions.

Products such as the Canon CR180 Check Transport scanner provide the capture function to set this in motion. Because the CR180 also reads the MICR line, it favorably positions an institution to take advantage of distributive processing opportunities.

Distributive item capture and transmission. In this mode, not only are the images stored, they’re transmitted electronically with the accompanying

MICR data to the corporate credit union, clearing-house, or Federal Reserve.

Depending on the check processing method used, credit unions could encode the items in-house or “power encode” them at a centralized location or service. Many software providers offer application solutions and product suites to support further processing functions, electronic presentment, and more broad-based information management solutions.

Apart from check-centric applications that will benefit from Check 21, many credit unions’ needs can be fulfilled with basic systems. The Canon CD4050 Document Recorder is a simple, turnkey approach to records management. In addition to capturing teller transactions for the cash letter and daily work, the CD4050 can record signature cards and member-related files directly onto recordable compact disks or via network without requiring direct personal-computer interface.

Other solutions use traditional document scanners that plug into desktop and/or network applications that can be integrated and scaled to the system objectives.

With the regulatory support of Check 21 and NCUA guidelines in place, credit unions have a prime opportunity to update and



Image-based processing will expedite check clearing and settlement.

streamline check processing and document management systems. Affordable solutions are available for credit unions of all asset sizes. The potential cost savings and operating efficiencies can help your credit union improve methods, remain competitive, and continue to provide the best service to members.

Canon U.S.A. is a CUNA & Affiliates strategic alliance provider. Rebates on Canon’s CR-180 Check Transport scanner and CD-4050 Digital Document Recorder are available through March 31, 2004. For more information, visit buy.cuna.org and enter “Budget2004” in the search box. To have a Canon representative contact your credit union for a free consultation, call 800-356-8010; press 3.